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FAX TRANSMISSION COVER SHEET

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Subject: DISTRIBUTION REQUEST
From: Bob Bayer

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July 18, 2000

Mr. Don Ostler, P.E.
Director
Utah Division of Water Quality
288 North 1460 West
P.O. Box 144870
Salt Lake City, Utah 84114-4870

Via Fax
(801) 538-6016

RE: Request for Approval of Modified, Continued Use of Overflow Pond at North Lily Mining Company's Silver City, Utah Facility

Dear Mr. Ostler:

In its letter of June 9, 2000, the Division of Water Quality (DWQ) concurred with North Lily Mining Company's (North Lily) request of May 19, 2000 to extend the period of time set forth in item number 4 of the Order which had required cessation or restoration of the three solution ponds at its Silver City, Utah facility by May 19, 2000. DWQ's June 9 letter authorized the continued use of the barren and overflow ponds for retention of water so long as a water depth of four feet or less was maintained. It further required that the ponds be decommissioned by July 30, 2000. The water in the barren and overflow ponds has now been evaporated and the ponds are no longer being used for the purpose of solution or water storage. Accordingly, North Lily has met its obligations with regard to these ponds, as set forth in DWQ's June 9, 2000 letter.

DWQ's June 9 letter also reiterated that DMT (discharge minimization technology) be restored in the pregnant pond. This matter will be addressed under separate cover.

North Lily now requests that DWQ authorize the use of the overflow pond for a second, in-pond enhanced evaporation system. Use of the pregnant solution pond for continued use for leach pad draindown fluid retention and as a site for an in-pond evaporation has, pending demonstration of restoration of discharge minimization technology, already been authorized by DWQ.

DWQ Environmental Engineer Beth Wondimu and Division of Oil Gas and Mining (DOGM) Reclamation Specialist Doug Jensen inspected the condition of the synthetic liner in the overflow pond during a July 11, 2000 site inspection. Following their visual inspection of the pond, they reported to Walt Shubert and Bob Bayer of JBR that the secondary liner, visible through the damaged primary

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Mr. Don Ostler
July 18, 2000

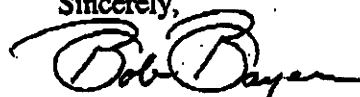
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liner, appeared to be in good condition. With the exception of a small quantity of standing water in the low corner of the pond, this pond is now dry.

This in-pond evaporation capacity is necessary in order to enable the cessation of spray-enhanced evaporation on the leach pad itself, thereby allowing the pad to dry to enable final regrading, (including work in the westside solution collection ditch) and topsoil placement, and to allow final pad draindown to commence as soon as possible. The proposed overflow pond enhanced evaporation system would consist of polyethylene or PVC pipe installed in a loop around the entire pond approximately one-half way down the four sides of the pond. Mist emitters would be installed at appropriate intervals around the loop. With the DWQ's approval, this system would be placed into use and would, along with the pregnant pond evaporation system, allow operation of the enhanced evaporation system on the leach pad to cease and final pad draindown to begin. Initially all three evaporation systems would remain in place and be available for use; however, each system would be valve-controlled so that an optimal balance between evaporation rate and solution volume in the pregnant pond can be maintained by operating one or more of the systems simultaneously. After the in-pond evaporation systems are installed and operational, the leach pad system would only be used if, for whatever reason, the in-pond evaporation loops could not deliver evaporation rates that equal or exceed the rate of draindown fluid return to the pregnant pond. The evaporation system in the overflow pond would be operated to minimize fluid volume in the pond by pumping water back to the pregnant pond for re-application to the evaporation systems. Accordingly, minimal solution head with an average depth of much less than the four feet called for in DWQ's June 9 letter, would be present in the pond at any time.

North Lily would appreciate the DWQ's review and consideration of this request as soon as possible. Please contact the undersigned or Mr. Stephen Flechner of North Lily at 303.294.0427 with any questions you may have.

Sincerely,



Robert J. Bayer
Vice President

cc: Dennis Frederick, DWQ
Fred Pehrson, DWQ
Beth Wondimu, DWQ
Mary Ann Wright, Division of Oil Gas and Mining
Wayne Hedburg, Division of Oil Gas and Mining
Stephen Flechner, North Lily Mining Company
Mike Keller, VanCott Bagley